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Guidelines to members appointed
as auditors under the election
finances reform act (R.S.O.
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GUIDELINES TO MEMBERS APPOINTED AS AUDITORS
UNDER THE ELECTION FINANCES REFORM ACT (R.S.O. 1980)

PREPARED BY
THE STUDY GROUP ON ELECTION FINANCES REFORM ACT

September 1984

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The significant assistance of Donald A. Joynt, CA, the Executive Director of the Commission on Election Contributions and Expenses, is acknowledged with thanks.

CHAPTER I

INTRODUCTION

The provincial election on September 18, 1975 was the first general election when candidates, constituency associations and political parties were required to appoint auditors to report on their financial activities. The Institute of Chartered Accountants of Ontario appointed a study group to review the provisions of the Election Finances Reform Act (the Act) and the guidelines issued by the Commission on Election Contributions and Expenses in order to provide assistance to our members who would be acting as auditors pursuant to the provisions.

In August 1975, interim guidelines from the study group were sent to all practising firms and members appointed as auditors under the Election Finances Reform Act (Ontario). These interim guidelines have been revised and expanded in light of experience gained in the initial campaign period and in annual filings and reflect the study group's understanding of the legislation in force at the date of issue (May, 1977) and re-issue (September, 1984). These guidelines do not represent an official position or pronouncement of the Institute; they are issued by the study group, with the authority of Council, and represent the views of the study group members on some aspects of audits under the Act.

CHAPTER II

AUDIT APPOINTMENT

The Act requires the filing, with the Commission on Election Contributions and Expenses, of certain financial statements of candidates, constituency associations and political parties. These statements are to be reported on by an auditor licensed under the Public Accountancy Act (Ontario) or a firm of auditors whose partners are so licensed.

The question of audit objectivity in relation to audits under this Act has been considered by Council and its conclusions have been set out in Council Interpretation 204A which is attached as Appendix A. The Interpretation makes reference to section 41(3) of the Act referring to persons who cannot act as auditor, sets out Council's opinions with regard to the objectivity rule (204) and comments in detail on the position of a member practising alone or in a firm where one or more of the partners may be ineligible in terms of either the Act or Council Interpretation 204A.

It should be noted that the Act provides for subsidy by the Commission of audit fees to a maximum of \$250 for constituency associations and \$500 for candidates. This subsidy applies only to the audit and does not cover other services. Billings, copies of which are to be sent with the return, should clearly distinguish between audit and other services.

CHAPTER III
INFORMATION SOURCES

General

The Act, section 41(1), provides for the appointment of an auditor for every registered candidate, constituency association and party. The study group makes the strongest possible recommendation that all members and practising firms who have been asked to accept an appointment as auditor under the Act should obtain copies of the following publications and become familiar with the contents.

- (a) Publications available through The Commission on Election Contributions and Expenses, 151 Bloor St. W., 8th floor, Toronto, Ontario, M5S 1S4, telephone (416) 965-0455
 - (i) the Election Finances Reform Act (R.S.O. 1980 c.134), together with all amendments to date (note: no amendments to date of publication)
 - (ii) Guidelines for Chief Financial Officers (Province of Ontario), as amended
 - (iii) Pocket Guide to Election Finances Law of Ontario (1984)
- (b) CICA publication "A Guide for the Auditor of a Candidate in a Federal Election Pursuant to the Canada Elections Act" (May 1984). Note the fundamental difference between the Ontario and Federal acts - the Ontario act places limits on individual's contributions and some advertising expenses while the federal act limits expenditures.

As well, the Income Tax Act (Ontario) (for individuals) and the Corporations Tax Act (Ontario) (for corporations) could be referred to for detailed information on deductibility of contributions.

It is suggested that questions with respect to the Act and the Guidelines issued by the Commission on Election Contributions and Expenses, should be directed to the Commission at the address shown above. Interpretations received should be confirmed in writing.

Another important source of information relevant to the audit is the original registration form and any amendments (note that the Commission must be notified of changes). This will disclose the name, address and telephone number of the candidate or riding association's president, the chief financial officer and the auditor; signing authorities; banks at which deposits are to be made, and sample signatures. A copy of the document should be obtained from the Commission and retained in the auditor's file.

Relevant dates

- | | |
|----------------------------|----------------------------------|
| Start of campaign period - | date writ for an election issued |
| Election day - | as named in the writ |

End of campaign period -	4 months from election day
Final date for filing of campaign returns -	6 months from election day
Annual filings for constit- uency associations and political parties -	May 31

Also, since no contribution should be accepted for a candidate's campaign prior to the effective date of his registration with the Commission, the Commission's acknowledgement letter to the chief financial officer should be referred to for confirmation of such date.

Candidate's return

The auditor reporting on a candidate's campaign period financial statement should receive the following information directly from the Commission on Election Contributions and Expenses, which has a bearing on the figures reported in the Statement of Campaign Receipts and Expenses:

- Number of valid votes cast in the electoral district,
- Number of votes received by candidate, and
- Number of voters on revised list of voters for the electoral district.

A sample confirmation letter is included as Appendix J, and could be used if for some reason the information has not been received by the auditor.

CHAPTER IV

TERMS OF ENGAGEMENT

General

There should be a definite and clear understanding between the auditor and the candidate, constituency association or registered party, and the chief financial officer, as to the nature and extent of the audit to be performed. Even though the auditor's statutory rights and responsibilities are determined by the Act, they should be clarified in writing to avoid possible misunderstanding, particularly as the auditor's reporting responsibilities under the Act differ from those which exist for a statutory audit engagement of an incorporated business. Any specific assignment undertaken in addition to the statutory responsibilities should similarly be clarified and it is recommended that the terms of such additional services (e.g. accounting) should be covered in an engagement letter.

Candidates

When an election is called and the election campaign begins, there is a particular urgency for the auditor to arrange an immediate meeting with the chief financial officer to discuss the engagement and to make the necessary arrangements to properly organize and control the accounting and reporting functions in a manner which would permit the auditor to report in accordance with the Act. In some cases, a prospective candidate will be chosen by a constituency association before an election has been called. In such cases, if a member is asked to assume the audit responsibilities, he should make sure the prospective candidate is aware of the Act, its requirements and constraints.

The contractual understanding is between the auditor and the candidate, and it is therefore appropriate that the letters of engagement be signed by the candidate. While the chief financial officer has no such contractual relationship, he has major responsibilities relating to the records and the auditor's report will be addressed to him; it is therefore important that he also acknowledge that he understands the terms of the engagement by signing the engagement letter along with the candidate.

Appendix B sets out a suggested form for a letter of engagement for the audit of a candidate.

Constituency Associations

The auditor's engagement with the constituency association is usually one of an ongoing nature. The contractual arrangement with the auditor should be entered into by the principal officers of the constituency association, who should sign the letter of engagement.

Part of the reason for obtaining an engagement letter is to ensure that the officers are aware of their responsibilities and the role of the auditor, and therefore whenever there is any change in key officials it is recommended that a new engagement letter be obtained. Even though the auditor may

have a continuing relationship with a constituency association, he should consider issuing a new engagement letter each year to be signed by each new elected executive group.

Appendix C sets out a suggested form for a letter of engagement for annual and campaign period audits of a constituency association.

REPRESENTATION LETTER - ALL ENGAGEMENTS

Section 41(6) of the Act entitles the auditor appointed by a candidate, constituency association or registered party: "To require from his or its chief financial officer such information and explanation as, in his opinion, may be necessary to enable him to report as required by sub-section 4". Accordingly, the auditor should obtain representations from the chief financial officer which the auditor considers of significance in the forming of his opinion. This same assurance should be obtained from the candidate or the principal officers of the constituency association or registered party. Such assurance should take the form of a representation letter addressed to the auditor and in certain instances the auditor might consider it desirable to obtain written assurance of certain specific items from other personnel, particularly those named in the registration with the Commission (e.g. persons authorized to accept contributions or campaign manager).

It is desirable that the auditor obtain an appropriately signed representation letter before releasing his report to the chief financial officer, and the study group recommends that such a letter be dated on or after the date of the auditor's report.

Appendix D and Appendix E suggest forms of representation letters for the audit of campaign period and annual financial statements. Appropriate amendments would, of course, have to be made to take into account particular circumstances of a specific engagement.

CHAPTER VI

THE AUDITOR'S REPORT

(a) Scope of Examination

General

Auditing recommendations in the CICA Handbook (the reporting standards in section 5100) require the auditor to refer in his report to the scope of his examination. The Act specifies the nature of the auditor's examination of the financial statement in section 41(4); "The auditor appointed pursuant to sub-section 1 or 2 shall make a report to the chief financial officer of a candidate, political party or constituency association that appointed him in respect of the financial statements, as required by sections 42 and 43, and shall make such examination as will enable him to state in his report whether in his opinion the financial statement presents fairly the information contained in the accounting records on which the financial statement is based". (emphasis added)

Accordingly, it should be clearly recognized that the nature and scope of the auditor's examination under the Act will materially differ from the nature and scope of the usual examination of the financial statements of a business enterprise, inasmuch as the examination under the Act will not include verification that all transactions have been included in the accounting records.

It is desirable that the auditor's report include direct reference to the fact that his examination was designed solely to enable him to report as required under the Act.

It should be noted that the main thrust of the Ontario legislation is to limit the amount of contributions an individual, corporation or trade union can make to candidates, constituency associations and political parties and, accordingly, there are many provisions relating to contributions, including sections 17 to 35, and at this time it is the opinion of the study group that the extent to which recorded contributions may contravene the provisions of sections 17 to 35 is not in every case susceptible to practicable determination by audit procedures. Accordingly, the auditor's report could not include an opinion that all contributions recorded were in accordance with the requirements of the Act. Insofar as information and documentation has been furnished to him, the auditor has a responsibility to verify the amounts and propriety of receipts. For instance, he should ensure that:

1. Total contributions reported on the return agree with the sum of receipts issued for tax purposes and the numerical sequence of receipts is accounted for;
2. In the case of candidates, no contributions were accepted prior to the candidate's effective date of registration with the Commission;

3. Where receipts were issued to contributors with addresses outside Ontario that the records provide evidence that the contributions meet the requirements of section 30(1)(a);
4. The records of receipts do not show that contributions were accepted which exceed allowable limits, particularly those indicated in section 19.

Obviously, these examples do not include all the items which may be verified.

Although the scope of the examination under the Act differs materially from the scope of an ordinary examination with respect to the completeness of the accounting records, in other respects normal auditing procedures apply. Accordingly, the examination should include a general review of the accounting procedures (and in particular of the internal control as a basis for reliance thereon in determining the nature, extent and timing of audit procedures), and such tests of accounting records and other supporting evidence as the auditor considers necessary in the circumstances to justify the expression of his opinion. Appendix I is a checklist to aid the auditor in designing his own audit program; it is not meant to be all-inclusive. In many cases, internal control will be such that the auditor will want to examine and verify all recorded transactions to the extent possible and practicable.

Money, goods and services may be provided to a constituency association and/or a candidate's campaign committee on a voluntary and unpredictable basis. For example, there can be no certain knowledge as to the amount, if any, and nature of contributions prior to their actual receipt. A contribution (as defined by the Act) of goods or services will create a corresponding expense. The auditor will obtain knowledge of these types of transactions through his general knowledge of the affairs of the constituency association and campaign committee and as they are evidenced in the accounting records. However, the auditor may not have complete evidence available to determine whether by error or intent such transactions have been omitted from the accounting records, or whether inappropriate transactions have been recorded.

The study group considered whether the circumstances set forth in the preceding paragraph and the impracticability of verifying the identity of contributors or propriety of amounts received would constitute a limitation in the scope of the auditor's examination. The scope of the auditor's examination need only be such as to enable him to report as required under the Act. The Act does not require the auditor to verify that all financial transactions relating to the campaign have been included in the accounting records. It was therefore concluded that the foregoing circumstances do not constitute a limitation in the scope of the auditor's examination, as verification of the items involved is not required under the Act.

Association with misleading financial statements

The auditor should not associate himself with statements which he knows, or should know, are false or misleading (see ICAO rule of conduct 205). The auditor should, therefore, be alert for specific circumstances that would lead him to suspect that the information in the financial statement is not complete or in error, and where there are such circumstances, he should take reasonable steps, including enquiring of the candidate or principal officer(s) and chief financial officer, to seek satisfactory explanation of those specific circumstances and, if necessary, make an appropriate reservation or statement in his report. However, in the absence of such circumstances, it is the opinion of the study group that the auditor has no obligation to carry out procedures directed at a determination of the completeness of the accounting records or the propriety of contributions except to the extent they are recorded.

Commercial value of goods and services

The Act requires that goods and services provided be recorded at their commercial value. Reference should be made to section 22 of the Act and the Commission's Guidelines for guidance on the treatment of any shortfall between that value and the amount (if any) charged. The study group suggests that the engagement letter provide for the chief financial officer to arrange to obtain from suppliers certification as to the commercial value of significant goods and services provided, and where obtained, the auditor has a reasonable basis to place reliance thereon in the absence of unusual circumstances. The study group suggests that certification be obtained for purchases with a commercial value in excess of \$100. Where such certification has not been obtained the auditor should satisfy himself in other ways, such as by requesting it himself, or consider making appropriate reservations or statements in his report.

The scope of the auditor's examination should include consideration of whether recorded commercial values have been determined as required by the Act and guidelines. It is important that the auditor bear in mind the possibility that commercial value may be mis-stated. Any such mis-statement would be of importance where the amount thereof is obvious or may be material. Materiality in a particular instance would depend not only on the possible amount of the mis-statement but also, for example, on the amount of the corresponding contribution recorded as compared with the limits on contributions as provided by the Act.

(b) The Auditor's Opinion

A measure of uniformity in the form of auditor's report is desirable in order to facilitate identification of circumstances where underlying conditions differ.

As noted before, it is important that the auditor ensure that his audit report is dated on or before the date of the representation letter. He should not put himself in the position of taking responsibility for events after the date responsible persons have given him their representations.

When an auditor is reporting on a statement of campaign receipts and expenses and is able to express an opinion without any reservations or additional statements, it is suggested that the report take the form set out in Appendix F. See Appendix G for a sample report for annual statements. Paragraph (10 in Chapter 6) of the CICA publication "A Guide for the Auditor of a Candidate in a Federal Election Pursuant to the Canada Elections Act" describes circumstances where reservations or additional statements in audit reports under that Act could be appropriate. Similar circumstances may warrant similar statements or reservations in an auditor's report under the Ontario Act.

Item (a) in paragraph 10 in Chapter 6 of the CICA guide makes reference to items incorrectly included in the return, and this is an important factor in the light of the limitation on election expenses contained in the Federal Act. The Ontario Act, however, does not place any particular restriction on overall campaign expenses, but does restrict the total amount (and timing) of campaign advertising. Therefore, the incorrect allocation of campaign expenses as between campaign advertising and other campaign expenses could be a significant factor in reporting upon the financial statement and, accordingly, this reference is, in the opinion of the study group, relevant to the Ontario situation.

Items (b) and (c) in paragraph 10 in Chapter 6 of the CICA guide deal with inadequate explanations of items contained in the return, known but uncorrected omissions from the return, known omissions corrected but where there is reason to suspect further omissions from the return, and suspected incompleteness of accounting records and absence of adequate explanation. These considerations are relevant to an audit under the Election Finances Reform Act, recognizing the wording and terminology differences from the Federal Act.

(c) Reporting of Apparent Illegalities

During the course of the examination it may come to the auditor's attention that a particular transaction appears to constitute a contravention of a specific provision of the Act.

In such circumstances the auditor should ask the candidate or principal officer(s) and the chief financial officer how the particular item is justified. The auditor would then, unless he was completely satisfied by the explanation, have an obligation to pursue the question of reporting the item.

The auditor is advised not to express an opinion as to the legality of particular items included in the statement, but where he believes that possibly illegal financial transactions have occurred to consider raising the question in his report if the details are not disclosed in the responses to the check list of the chief financial officer. Where the auditor is in doubt as to what action he should take where he encounters what appears to be an illegality, he would be well advised to obtain the advice of legal counsel before completing his report.

(d) Materiality Considerations in Reporting

The Commission has indicated its interest in all differences discovered by the auditor, no matter how small they may appear to be. It is therefore recommended that where the auditor finds any contributions received or items expended in apparent contravention of the Act, the chief financial officer should be informed and asked to correct the situation and statement if necessary and possible. If correction is made, no further action would be required but if not, the items should be reported either in the check list which is included in the chief financial officer's report or in the auditor's report.

If the chief financial officer reports the items and they are "minor" (using usual materiality considerations), the audit report need not be qualified. A reference to any minor items reported could be added as a fourth paragraph of the suggested audit report. Details of minor problems not reported by the chief financial officer through his check list responses should be provided in a third paragraph of the audit report.

If the item(s) is major, a reservation in the auditor's report would be in order. When the auditor needs to express a reservation of opinion, section 5510 of the CICA Handbook should be referred to.

Refer to Appendix H for suggested revisions to the auditor's report in circumstances where discrepancies are discovered.

COUNCIL INTERPRETATION CI 204A*CI 204A -- AUDIT APPOINTMENTS UNDER THE ONTARIO
ELECTION FINANCES REFORM ACT

- 1 Introduction: The Election Finances Reform Act 1975 (Ontario) requires the filing, with the Commission on Election Contributions and Expenses, of certain financial statements of candidates, registered constituency associations and political parties; these statements are to be reported on by an auditor licensed under the Public Accountancy Act (Ontario) or a firm of auditors whose partners are so licensed.
- 2 Ineligibility provisions -- statutory: The Act (Section 41(3)) lists a number of persons (hereinafter referred to as "ineligible persons") who cannot act as auditor for a candidate, registered party or registered constituency association; these are:
 - . a returning officer, deputy returning officer or election clerk;
 - . a candidate;
 - . an official agent or chief financial officer of a candidate;
 - . a chief financial officer of a registered party or registered constituency association.
- 3 On the other hand, Section 41(3) permits any partner or firm with which any ineligible person is associated to act as auditor under the Act.
- 4 Council extension of ineligibility provisions: Without wishing to extend the statutory prohibitions unduly, the Council considers that there are additional relationships to those spelled out in the Act which could impair, or appear to impair, an auditor's objectivity. This interpretation, therefore, sets out the Council's views on unacceptable relationships, in respect of audits under the Act, encompassing both those prohibited by the statute and those unacceptable professionally.
- 5 The Council recognizes that too detailed a proscription, coupled with the widespread involvement of members, as citizens, in the political process, could make it almost impossible for the audit provisions of the Act to be given practical effect. Accordingly, this interpretation seeks to cover only the more obvious relationships, which the profession would consider unacceptable. Too narrow an interpretation could, in view of the many conceivable conflicts of interest, make it almost impossible for members to serve the community's needs.
- 6 Definition: As used in this interpretation: "candidate", "registered party", "registered constituency association" and "campaign period" have the meaning given to them in Section 1(1) of the Act; "immediate family" has the meaning given to it in Council Interpretation 204(4)(i).
- 7 Audit of a candidate: The Council believes that a member would not be complying with the objectivity rule (204) if he were to act as auditor of a candidate if he is:

*Issued, July 31, 1975; amended, April 5, 1979.

(CI 204A)

- (i) . a candidate, a returning officer, deputy returning officer or election clerk;
- . an official agent or chief financial officer of a candidate or the chief financial officer of a registered constituency association or a registered party;
 - . an officer of the registered constituency association or of the related registered party of the candidate;
 - . a paid worker during a campaign period for any candidate, any registered constituency association or any registered party at the provincial level;
 - . a volunteer worker during a campaign period for that candidate, or for the registered party of that candidate at the provincial level, where
- (a) he exercises any function of leadership or direction in that candidate's or that party's campaign organization, or
- (b) he carries on any significant function involving the raising, spending or custody of that candidate's or that party's campaign funds;
- OR IF
- (ii) a member of his immediate family, or his partner in a public accounting practice is:
- . the candidate;
 - . the returning officer for the constituency in which the candidate is a candidate;
 - . the official agent or chief financial officer of that candidate or chief financial officer of the registered constituency association of that candidate or the related registered party of that candidate;
 - . an officer of the registered constituency association or the related registered party of that candidate;
 - . a paid worker during a campaign period for that candidate, the registered constituency association of that candidate or the registered party of that candidate at the provincial level;
 - . a volunteer worker as described in (i) above.

For greater certainty the Council believes that where a member who is a partner in a firm holds any of the positions in (i) above with respect to the audit of a particular candidate, the firm of which that member is a partner may not act as auditor of that candidate. However, this problem would not prevent a firm from accepting the audit appointment for other candidates.

- 8 Audit of a registered constituency association: Any disabling relationship as described in paragraph 7 above, which would prohibit a member from acting as auditor for a candidate, would similarly prohibit his acting as auditor of that candidate's constituency association.
- 9 Audit of a registered party: Any disabling relationship as described in paragraph 7 above, which would prohibit a member from acting as auditor for any candidate or any constituency association, would similarly prohibit his acting as auditor of the registered party concerned.

Council InterpretationICAO

(CI 204A)

- 10 Firms: A firm as well as an individual may, in certain circumstances, properly act as auditor in respect of audits under the Act.
- However, Council is of the view that a firm may not act as auditor of a candidate or a registered constituency association, if a partner of that firm is prevented from acting as auditor because he has one of the disabling relationships described in paragraph 7(i) or 7(ii). Council is also of the view that a firm may act as auditor of a registered party, even if one of the partners has one of the disabling relationships described in paragraph 7(i) or 7(ii), provided:
- (a) the partner with the disabling relationship is not a candidate, chief financial officer or paid worker of that political party, or a volunteer worker of that party where he exercises any function of leadership therein or works on any significant function involving the raising, spending or custody of campaign funds, and
 - (b) the member of the immediate family who creates the disabling relationship for that partner is not a chief financial officer, an officer, or a paid worker of that political party, or a volunteer worker of that party exercising any function of leadership therein or works on any significant function involving the raising, spending or custody of campaign funds, and
 - (c) that any partner who carries the responsibility for the audit concerned does not himself have a disabling relationship under paragraph 7(i) or 7(ii).
- 11 Conclusion: Generally, members contemplating acting as auditors for registered parties, constituency associations or candidates must be alert to any circumstances, not described in this interpretation, which may place them in the position of impairment of objectivity or where a strong appearance of impairment might be presented. This type of question tends to arise, for example, where a donation of cash or of professional services is made. Members of the Institute, as citizens, have the same responsibility to be involved in the political process as other citizens; such involvement may include financial support of a party, constituency association or candidate by a member, his immediate family or his partner in a public accountancy practice. The Council believes that the making of a financial contribution, or the donation of professional services does not, of itself, necessarily create an impairment of objectivity, in these particular circumstances. Members should recognize, however, the need to apply judgement to the question of the amount of any such contribution and must be satisfied that any such contribution does not in fact impair their audit objectivity or strongly appear to impair it.
- Questions considered by Council in drafting CI 204A
- 12 Chief financial officer of a registered candidate
- (i) Can a firm accept an audit appointment of a registered

(CI 204A)

candidate if one of the partners is acting as the chief financial officer of that candidate? The answer is no.

- (ii) Suppose a staff member -- not a partner -- accepts the position of chief financial officer for a registered candidate; can his firm act as auditor for that candidate?

The firm is not prohibited by the statute from accepting such an audit appointment, nor does the council interpretation provide any guidance here. However, it would clearly be wise for a firm to decline such an audit appointment to avoid the appearance of a conflict of interest.

- (iii) If a partner or a staff member acts as a chief financial officer for a registered candidate, can the firm accept an audit appointment from another candidate? The answer is yes. This is the clear intention of Section 41(3) of the Election Finances Reform Act. However, the firm would be advised to ensure that the partner or staff member who is acting as a chief financial officer avoids any association with the audit work carried out by the firm on the returns of other candidates.

- (iv) If a partner is the chief financial officer of a registered candidate, can the firm accept the audit appointment for an opposing candidate in the same constituency?

The answer is yes. However, the firm would want to ensure that both sides were aware of the relationships that would exist to avoid embarrassment or misunderstandings. Also, the firm would be advised to ensure that the partner who is acting as a chief financial officer avoids any association with the audit work carried out by the firm on the returns of other candidates.

13 More than one audit in the same constituency

If the firm has agreed to act as the auditor of a registered candidate, can the firm accept the audit appointment for an opposing candidate in the same constituency?

The answer is yes. However, the firm would want to ensure that both sides were aware of the relationships that would exist to avoid embarrassment or misunderstandings.

14 Spouse involvement

- (i) If the wife of a member is an officer of the registered constituency association or the related registered party of a candidate, can the member or his firm accept an audit appointment as auditor of that candidate?

The answer is no, as the member and his firm have an association with a volunteer worker with significant leadership responsibilities.

- (ii) If the wife of a member is acting as a deputy returning officer in one of the polls on election day, can the member or his firm accept an appointment as auditor of a candidate in that constituency?

(CI 204A)

There is no prohibition under the council interpretation affecting the member or his firm. However, it would be advisable if the member himself did not accept an audit appointment from any candidate in that constituency. Also, the firm would be advised to ensure that the partner whose wife is so acting avoid any association with the audit work carried out by the firm with respect to the returns of candidates in that constituency.

- 15 Firm appointed auditor of a registered party
If a firm has accepted the appointment as auditor of a registered party, can a partner of the firm act as:
- (a) an officer, including chief financial officer, of the party?
The answer is no.
 - (b) an officer, including chief financial officer, of another party?
The answer is yes, but the possibility of misunderstanding or embarrassment is very high if both sides are not informed in advance of the proposed relationship.
 - (c) an officer, including chief financial officer, of a registered constituency association?
Generally yes, but ensure that the position does not involve an ex officio position at the party level.
 - (d) a chief financial officer of a candidate?
The answer is yes, but the partner concerned should avoid any association with the audit work.

Revised April 5, 1979

SUGGESTED ENGAGEMENT LETTER FOR CANDIDATE

Date

Candidate

Address

I am writing to summarize my understanding of the terms of my prospective engagement as auditor to report under the Election Finances Reform Act as amended, upon the financial statements of campaign receipts and expenses relating to (your candidacy or the campaign) in the Electoral District of at the election to be held on . . . 19. . .

As required by the Act, my report will be addressed to your chief financial officer, and will state whether, in my opinion, the financial statement of campaign receipts and expenses relating to the election presents fairly the information contained in the accounting records on which it is based in accordance with the accounting treatment required by the Act and the Guidelines issued by the Commission on Election Contributions and Expenses. As required by the Act, in my report I shall make such statements as I consider necessary in any case where, in my opinion:

- (a) I have not received from the chief financial officer all the information and explanation that I required; or
- (b) proper accounting records have not been kept by the chief financial officer so far as appears from my examination.

You have indicated that you understand that my examination will be such as to enable me to report as required under the Act. The timely preparation and the completeness of the accounting records and the financial statement, which is to be prepared in accordance with the accounting provisions of the Act and Guidelines, are the responsibility of your chief financial officer. My responsibility as auditor does not extend beyond the reporting function outlined above, and accordingly does not include ensuring that you and your chief financial officer comply with all the requirements of the Act.

The Act provides that the campaign period ends four months after the election day. As the Act requires filing of the campaign return within six months of the election day, it is essential that the suppliers' accounts be recorded and the accounting records completed in time to allow me a reasonable period to complete my examination and issue my report. I anticipate that I will be able to report in time to permit a filing of your return by the day required by the Act if your return is completed and available for final audit on or before (date). You have agreed that you will provide me with the completed return by that date.

You have also agreed that you or your chief financial officer will arrange with suppliers that they will certify as to the commercial value of goods and services provided in every case where, in the opinion of the chief financial officer, the commercial value exceeds one hundred dollars.

- 2 -

The Act prescribes limitations on the timing, amount and sources of contributions. However, it is not practicable for me to verify, from sources outside the accounting records, that all contributions are in accordance with the requirements of the Act, nor does the Act require me to do so. It is also not practicable for me to determine, and accordingly the Act does not require me to report, that all financial transactions relating to the candidacy have been included in the accounting records. In my report I shall state these facts. Of course, were it to appear from my examination that there are transactions not in accordance with the requirements of the Act or that there had been a significant omission from the accounting records, it would be necessary for me to make an appropriate statement in my report.

Provided there are no circumstances which would prevent me from expressing an opinion without reservation or additional statement, my report should be similar to the enclosed sample auditor's report. (See Appendix F.)

Because my examination will be planned and conducted to enable me to express a professional opinion on the financial statement of campaign receipts and expenses, it will not be designed and cannot necessarily be expected to identify defalcations and other irregularities. Of course, the discovery of irregularities may result from my examination and will be reported to you.

It may be necessary to conduct certain audit procedures at any time before or after the election date. I shall have access at all reasonable times to all records, documents, books, accounts and vouchers relating to your election campaign, and may require from you, your chief financial officer or others such information and explanation as is necessary to enable me to report as required under the Act. Before the issuance of my report I shall require that certain assurances which I consider of significance when forming my opinion be provided in writing by you and your chief financial officer, and possibly together with other members of your staff, in a manner similar to the enclosed sample representation letter. (See Appendix D.)

Fees will be determined on the basis of time spent on this engagement at my standard rates, and any disbursements incurred will be added to the billing.

If the above terms are acceptable to you, please sign the enclosed copy of this letter in the space provided and return it to me after obtaining your chief financial officer's signed acknowledgement that he understands the terms.

Yours truly,

signed
Chartered Accountant

- 3 -

I confirm your appointment as auditor on the terms as set out in this letter.

signed.....
(Candidate)

date.....

I acknowledge that I understand the above terms of your engagement which have been authorized by (the candidate).

signed.....
Chief Financial Officer

date.....

SUGGESTED ENGAGEMENT LETTER FOR
AUDIT OF CONSTITUENCY ASSOCIATION

Date.....

(Identify principal officer(s)
of constituency association)
Address

I am writing to summarize my understanding of the terms of my prospective engagement as auditor to report under the Election Finances Reform Act, 1975, upon the statement of annual receipts and expenses and the statement of assets and liabilities. In the event of an election during the year, I will also report on the campaign period statement of receipts and expenses.

As required by the Act, my report will be addressed to your chief financial officer, and will state whether in my opinion the financial statements referred to above present fairly the information contained in the accounting records on which the statements are based in accordance with the accounting treatment required by the Act and the Guidelines issued by the Commission on Election Contributions and Expenses. As required by the Act, in my report I shall make such statements as I consider necessary in any case where, in my opinion:

- (a) I have not received from the chief financial officer all the information and explanation that I required; or
- (b) proper accounting records have not been kept by the chief financial officer so far as appears from my examination.

You have indicated that you understand that my examination will be such as to enable me to report as required under the Act. The timely preparation and the completeness of the accounting records and the financial statement, which is to be prepared in accordance with the accounting provisions of the Act and Guidelines, are the responsibility of your chief financial officer. My responsibility as auditor does not extend beyond the reporting function outlined above, and accordingly does not include ensuring that your association and its officers including your chief financial officer comply with all the requirements of the Act.

The Act provides that the campaign period ends four months after the election day. As the Act requires filing of the campaign return within six months of the election day and of the annual return by May 31 each year, it is essential that the suppliers' accounts be recorded and the accounting records completed in time to allow me a reasonable period to complete my examination and issue my report. I anticipate that I will be able to report in time to permit a filing of your returns by the days required by the Act if returns are completed and available for final audit on or before the dates indicated below:

campaign return - (date)
annual return - (date)

You have agreed that you will provide me with the completed returns by the dates indicated.

- 2 -

You have also agreed that your association or your chief financial officer will arrange with suppliers that they will certify as to the commercial value of goods and services provided in every case where, in the opinion of the chief financial officer, the commercial value exceeds one hundred dollars.

The Act prescribes limitations on the amount and sources of contributions. However, it is not practicable for me to verify, from sources outside the accounting records, that all contributions are in accordance with the requirements of the Act, nor does the Act require me to do so. It is also not practicable for me to determine, and accordingly the Act does not require me to report, that all financial transactions relating to the association have been included in the accounting records. In my report I shall state these facts. Of course, were it to appear from my examination that there are transactions not in accordance with the requirements of the Act or that there had been a significant omission from the accounting records, it would be necessary for me to make an appropriate statement in my report.

Provided there are no circumstances which would prevent me from expressing an opinion without reservation or additional statement, my reports should be similar to the enclosed sample auditor's reports for annual and campaign periods (see Appendices F and G).

Because my examination will be planned and conducted to enable me to express a professional opinion on the financial statements as set out in the first paragraph, it will not be designed and cannot necessarily be expected to identify defalcations and other irregularities. Of course, the discovery of irregularities may result from my examination and, if so, anything I feel is significant will be reported to you.

It may be necessary to conduct certain audit procedures at any time before or after the year end. I shall have access at all reasonable time to all records, documents, books, accounts and vouchers relating to your association, and may require from you, your chief financial officer or others such information and explanation as is necessary to enable me to report as required under the Act. Before the issuance of my report I shall require that certain assurances which I consider of significance when forming my opinion be provided in writing by you and your chief financial officer, and possibly together with other members of your staff, in a manner similar to the enclosed sample representation letters for annual and campaign periods (see Appendices D and E).

Fees will be determined on the basis of time spent on this engagement at my standard rates, and any disbursements incurred will be added to the billing.

If the above terms are acceptable to you, please sign the enclosed copy of this letter in the space provided and return it to me after obtaining your chief financial officer's signed acknowledgement that he understands the terms.

Yours truly,

signed.....

22 Chartered Accountant

-3-

I confirm your appointment as auditor on the terms as set out in this letter.

signed.....
(Principal Officer(s) of
Constituency Association)

date.....

I acknowledge that I understand the above terms of your engagement which have been authorized by the principal officer(s) of the constituency association.

signed.....
Chief Financial Officer

date.....

SUGGESTED REPRESENTATION LETTER FOR CAMPAIGN
PERIOD AUDIT OF CANDIDATE OR CONSTITUENCY ASSOCIATION

.....19...

Auditor

Address

In connection with your examination of the financial statement of campaign receipts and expenses of (identify candidate or constituency association) for the campaign period from (date) to (date) relating to the Ontario election held (date), we assure you that to the best of our knowledge and belief:

- 1) You have been afforded access to all the records, documents, books, accounts and vouchers relating to the election campaign.
- 2) All campaign contributions, loans and other amounts received and all campaign expenses incurred have been determined and recorded as required by the Election Finances Reform Act, as amended and in accordance with the Guidelines issued by the Commission on Election Contributions and Expenses. In particular, all contributions received have been within the prescribed limitations as to timing, source and amount, and goods, services and advertising contributed have been valued in accordance with the Act and Guidelines.
- 3) The chief financial officer (or other person on record with the Commission as authorized to accept contributions) has received, recorded and deposited in an account on record with the Commission all the amounts contributed during the campaign period.
- 4) All individuals, corporations and trade unions indicated on the receipt forms made such contributions on their own behalf and not as nominees for other persons or organizations.
- 5) Campaign advertising expenses incurred have been within the prescribed limitations and no campaign expenses have been incurred which are not reflected in the financial statement.

- 2 -

- 6) The financial statement of campaign receipts and expenses and the supporting statements and schedules (including the check list) to be filed with the Commission on Election Contributions and Expenses fairly present the information in the records in accordance with the requirements of the Act and the Guidelines of the Commission on Election Contributions and Expenses.
- 7) (Other representations).

Yours truly,

(signed)
(Candidate or Principal Officer(s)
of Constituency Associations)

(signed)
Chief Financial Officer

To the best of my knowledge and belief the information given in the paragraph(s).....is correct.

(signed)
Other Campaign Personnel
(if appropriate)

SUGGESTED REPRESENTATION LETTER FOR ANNUAL
AUDIT OF CONSTITUENCY ASSOCIATION

Auditor

Address

In connection with your examination of the annual financial statement for the period _____ to _____ we assure you that to the best of our knowledge and belief:

1. You have been afforded access to all the records, documents, books, accounts and vouchers relating to the constituency association.
2. All contributions, loans and other amounts received and all expenses incurred have been determined and recorded as required by the Election Finances Reform Act, as amended and in accordance with the Guidelines issued by the Commission on Election Contributions and Expenses. In particular, all contributions received have been deposited only in accounts on record with the Commission and have been within the prescribed limitations as to source and amount, and goods, services and advertising contributed have been valued in accordance with the Act and Guidelines.
3. The Chief Financial Officer (or other person on record with the Commission as authorized to accept contributions) has received all the amounts contributed during the period.
4. All persons or organizations indicated on the receipt forms made such donations on their own behalf and not as nominees for other persons or organizations.
5. The financial statement of receipts and expenses and the supporting statements and schedules (including the check list) and the statement of assets and liabilities to be filed with the Commission on Election Contributions and Expenses fairly present the information in the records in accordance with the requirements of the Act and the Guidelines of the Commission.

Yours truly,

(signed).....
Principal Officer(s) of
Constituency Association

(signed).....
Chief Financial Officer

To the best of my knowledge and belief the information given in paragraph(s) _____ is correct.

(signed).....
Other personnel (if appropriate)

SUGGESTED AUDITOR'S REPORT FOR
STATEMENT OF CAMPAIGN RECEIPTS AND EXPENSES

Auditor's Report

Pursuant to Section 41(4) of the Election Finances Reform Act

(name), Chief Financial Officer
for (identify candidate or
constituency association)
address

I have examined the statement of campaign receipts and expenses (Schedule 1, Part 4 of Schedule 2 and Part 3 of Schedule 3) of (identify candidate or constituency association) for the campaign period from (date) to (date) relating to the Ontario election held (date). My examination, designed solely to enable me to report as required under the Election Finances Reform Act, included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as I considered necessary in the circumstances to make this report.

In my opinion, this statement of campaign receipts and expenses (Schedule 1, Part 4 of Schedule 2 and Part 3 of Schedule 3) presents fairly the information contained in the accounting records on which the statement is based in accordance with the accounting treatment required by the Act and the Guidelines for Chief Financial Officers issued by the Commission on Election Finances and Expenses.

The Act does not require me to report, nor was it practicable for me to determine, that the accounting records include all transactions for the campaign period, or that contributions reported include only amounts which may be properly retained in accordance with the provisions of the Act.

City

Date

(signed).....
Chartered Accountant

SUGGESTED AUDITOR'S REPORT FOR ANNUAL
STATEMENTS OF CONSTITUENCY ASSOCIATION

Auditor's Report

Pursuant to Section
41(4) of the Election
Finances Reform Act.

(name), Chief Financial Officer
(identify constituency association)
address

I have examined the statement of annual receipts and expenses (Part 4 of Schedule 3, lines 2 to 5 of Schedule 4 and Schedule 5) and the statement of assets and liabilities (Schedule 1) of

for the period from _____ to _____ and as at December 31, 1976. My examination, designed solely to enable me to report as required under the Election Finances Reform Act, included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as I considered necessary in the circumstances to make my report.

In my opinion, the statement of receipts and expenses (Part 4 of Schedule 3, lines 2 to 5 of Schedule 4 and Schedule 5) and the statement of assets and liabilities (Schedule 1) present fairly the information contained in the accounting records on which the statements are based in accordance with the accounting treatment required by the Act and the Guidelines issued by the Commission on Election Contributions and Expenses.

The Act does not require me to report, nor was it practicable for me to determine, that the accounting records include all the transactions of

for the period from _____ to _____, or that contributions reported include only amounts which may be retained in accordance with the Act.

City

Date

(signed)
Chartered Accountant

SUGGESTED REVISIONS TO AUDITOR'S REPORT
WHERE DISCREPANCIES FOUND

Refer to paragraph 10 in Chapter 6 of the CICA auditing publication "A Guide for the Auditor of a Candidate in a Federal Election Pursuant to the Canada Elections Act" for general guidance for non-standard reports. A qualification is necessary for major discrepancies, whether reported by the chief financial officer or not.

The following guidance gives an indication of how the standard audit report samples (Appendices F and G) might be altered for the minor problems discussed in section (d) of Chapter VI.

1. Discrepancies disclosed in check list of the chief financial officer

No change in the suggested standard report is necessary, but words such as the following could be added as a third paragraph:

"I draw your attention to the matters noted in relation to question (numbers) of schedule 7 of the return, which do not affect my opinion as to the overall fairness of the statement(s)."

2. Apparent discrepancies not disclosed in check list of the chief financial officer

Words such as the following should be added as a third paragraph of the suggested standard audit report:

"The following items were noted which, in my opinion, should have been reported in connection with the question (numbers) of schedule 7 of the annual return:

(provide appropriate details)

These items do not affect my opinion as to the overall fairness of the statement(s)."

POINTS TO CONSIDER IN DRAFTING AN AUDIT PROGRAM FOR AUDITS PURSUANT TO THE ELECTION FINANCES REFORM ACT

(Not meant to set out minimum requirements or to be all-inclusive; the circumstances in each situation must be taken into account.)

General

1. Ensure you may act in the capacity as an auditor under the ICAO's Council Interpretation 204A on objectivity and under the eligibility provisions of Section 41(1) and (3) of the Election Finances Reform Act.
2. Review ICAO "Guidelines to Members Appointed as Auditors under the Election Finances Reform Act (R.S.O. 1980)" and the CICA publication "A Guide for the Auditor of a Candidate in a Federal Election Pursuant to the Canada Elections Act."
3. Send engagement letter to client.
4. Review and become familiar with the following, which are available from The Commission on Election Contributions and Expenses.
 - (i) a brochure entitled "Pocket Guide to Election Finances Law of Ontario"
 - (ii) the Election Finances Reform Act (as amended)
 - (iii) Guidelines for Chief Financial Officers
5. Review the copy of the Registration Application Form most recently filed with and acknowledged by the Commission directly to the auditor which outlines signing officers, bank accounts, persons eligible to accept contributions etc. Contact the Commission if you have not received the acknowledgement.

In cases where a party may accept contributions as agent for a candidate or constituency association, the chief financial officer should have a copy of the necessary bank account authorization submitted to the Commission.
6. Confirm all bank balances (including party agency accounts) and bank loans and reconcile all bank accounts.
7. Confirm all transfers (funds and non-cash items) received and paid out respectively with the transferor or transferee and tie in to client's records. Note that transfer payments are payments made for general purposes of the recipient and do not include payments for items or services.
8. Obtain letter of representation in form similar to that suggested by the ICAO study group (sample in guidelines).

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9. If auditing the return of a candidate, note the following in the letter sent to you directly from the Commission:
 - (a) number of valid votes cast in the electoral district;
 - (b) number of votes received by candidate;
 - (c) number of voters on revised list of voters for the electoral district.
10. Review all schedules contained in the Commission's reporting form for accuracy and completeness, checking all additions and cross references. The "Check List" schedule lists questions of particular concern to the Commission and you should note that a "no" response to any question requires an explanation.

Note that the auditor is associated with the whole return.

11. For annual filings agree the current year's opening surplus to that reported at the prior year end. A separate statement must be filed providing details of any variance.
12. Where your report contains a reservation due to the inadequacy of the records or internal controls or the failure by the chief financial officer to supply adequate explanations, an explanatory letter should accompany your report advising of any corrective action taken.
13. Ensure the opinion expressed refers only to the information audited.
14. Use your best efforts to ensure the deadline dates for filing audited financial statements with the Commission are met. Any failure is a contravention which is reported to the Attorney General and serious penalties may be imposed.

Contributions and Expenditures

1. Agree total cash received to bank statement and clear cash book and bank statement.
2. Review internal controls over recording of contributions accepted inclusive of goods and services.
3. Test check from list of contributors of greater than \$100 as set out on the list attached to the return to the client's record and perform a separate test from the client's record to the return.

Note: Contributors who have made aggregate contributions greater than \$100 are to be shown on this list; the aggregate contribution includes any contribution of goods and services.

- 3 -

4. Review "fair value" letters to ensure that all contributions of goods and services are properly recorded at their gross value.

Note: Only goods and services contributed in a single instance or which in aggregate exceed \$100 are considered a contribution and can be acknowledged by an official receipt.

Goods and services so contributed must be included as expenses for an accurate reporting.

5. Review client's bank deposit slips to ensure that names of all contributors of more than \$10 are recorded and agree with the record of contributions accepted.

Note: Cash contributions in excess of \$10 are not permitted and the Chief Financial Officer should refund any such contribution and recover and cancel the official receipt if issued.

Anonymous collections at meetings of moneys of \$5 or less from any one individual are not considered contributions.

An official receipt must be issued for every contribution accepted.

6. Check serial continuity of receipts issued.
7. Check total of receipts issued to ensure that it agrees with the total of contributions received.
8. Review and test "work sheet" (see Guidelines of Commission) to supporting records to ensure contributions from each individual corporation or trade union are segregated and classified properly.
9. Consider whether any of the corporations listed on the "work sheet" might be associated for tax purposes.
10. Review the records for fund-raising function activity to ensure full details of the price of admission per person and the part of the ticket price considered a contribution are available for completion of the audited statement and satisfy yourself that official receipts have been issued to ticket purchasers for the contribution part of every ticket sold.

Agreements for jointly-sponsored functions should be examined for compliance with the Commission's Guideline G22 Para. 22.06.

11. Review calendar of candidate's activities to find out if any fund raising events were held and ensure that funds received are reported in accordance with the Act.
12. Add list of donors of more than \$100 and agree total to the reporting form.
13. Add and cross add cash receipts book and scrutinize for unusual items.
14. Agree totals to cash receipts reporting form from the "work sheet".

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15. Where a campaign return audit is being conducted review the nature of expenditures to ensure that they relate to the election campaign and also to ensure that "campaign advertising" as defined in the Act is properly set out.
16. Review list of suppliers providing goods with a total value of greater than \$100 and test check from this list to supporting documents and from supporting documents to the list.
17. Scrutinize cash disbursements book for unusual items.
18. Scrutinize paid cheques for any indication of irregularities including at least:
 - (a) signing officers
 - (b) type of expenditures
 - (c) endorsements
19. Add and cross add cash disbursements book.
20. Where applicable ensure that all expenses are incurred during the "campaign period".
21. Consider confirmation with suppliers of major accounts payable at end of "campaign period" or at year end.
22. Review accruals for reasonability bearing in mind that the return is to be prepared on a full accrual basis (except for contributions).
23. Add list of suppliers providing goods with total value of greater than \$100 and agree to the report to the Commission.
24. Ensure all information is accurately transferred to the return.

SAMPLE CONFIRMATION FORM FOR NUMBER OF VOTES/VOTERS

(firm letterhead)

Commission on Election Contributions
and Expenses

8th floor, Britannica House
151 Bloor St. West
TORONTO, Ontario
M5S 1S4

(date)

In connection with our audit of the campaign period financial statement relating to the candidacy of (candidate) for the election held (date) in the electoral district of (name of district), we would appreciate it if you could provide us with the information described below by completing and returning this letter to us (in the return envelope enclosed).

Yours truly,

 Chartered Accountants
Information re election on (date)

Number of valid votes cast in (electoral district)
Number of votes received by (candidate)
Number of voters on revised list of voters for (electoral district)

Commission on Election
Contributions and Expenses

 per

NOTES

REPORT OF THE AMERICAN MEDICAL ASSOCIATION
ON THE PROGRESS OF MEDICINE

FOR THE YEAR 1917
PUBLISHED BY THE AMERICAN MEDICAL ASSOCIATION
535 N. Dearborn St., Chicago, Ill.

The following is a summary of the progress of medicine during the year 1917. It is based on the reports of the American Medical Association and the various medical societies. The progress has been marked in many fields, particularly in the treatment of infectious diseases, in the study of the human mind, and in the development of new surgical techniques.

INFECTION

THE PROGRESS OF MEDICINE

REPORT OF THE AMERICAN MEDICAL ASSOCIATION

During the year 1917, the American Medical Association has continued its efforts to advance the science of medicine. It has held numerous conferences and has published many reports on the progress of medicine. The following is a summary of the progress of medicine during the year 1917.

AMERICAN MEDICAL ASSOCIATION
535 N. Dearborn St., Chicago, Ill.

